MEMORIAL

OF THE

BALTIMORE AND OHIO RAIL ROAD COMPANY,

TO THE

LEGISLATURE OF MARYLAND.

MEMORIAL.

To the Honorable the General Assembly of Maryland:

The memorial of the Baltimore and Ohio Rail Road Company respectfully represents:

That, for the purpose of rendering available, in the prosecution of their road westward, from Harper's Ferry, the subscription of the city of Baltimore of $3,000,000 to the capital of the company, your memorialists agreed to receive payment thereof, or so much of the same as they could render available, in the manner hereinafter stated, in the stock of the city, at par. This stock was placed in the hands of Commissioners, upon whom orders, in denominations of one dollar and upwards, were drawn by the company, directing transfers of the city stock when the holder presented orders amounting to one hundred dollars. Before these stock orders were available, they were accepted by the Commissioners, who wrote their names on their face, and who limited their acceptances to the amount of city stock transferred to them. The stock orders thus became the representative of the amount of city stock corresponding to its denomination, and furnished a mode of using the city stock in payment of the obligations of the company to contractors and land owners, which found immediate favor with them, and with the public generally. In giving them in payment, the Board of Directors entertained the opinion that they violated no existing law. The orders did not promise to pay money; nor were they, in any respect, promissory in their character. They conferred an absolute authority for the transfer of city stock, and finally cancelled the obligation, for which they were received in satisfaction.

Inasmuch as the persons who received these stock orders from the company, did not fund them at once, but used them in payment in turn of their own obligations, they grew naturally into a paper circulation, which, so long as it remained unfunded, constituted a city loan, on which no interest was paid, and causing therefore no tax upon the people; so that if the whole amount of stock orders continued in circulation until the road was completed, and produced returns, the effect would be the same as though the city had paid its subscription with money borrowed without interest. The operation therefore was one most beneficial in its character, so far as the city was concerned. Had the city been called upon to pay her subscription in money, she must have raised it by the sale of her bonds or stock, which would have borne interest, to be paid by taxation from the day of sale, and she must have lost the discount consequent upon the large amount of bonds that must have been thrown into the market for sale, or placed with the capitalists in hypothecation. Nor was the arrangement less useful to the persons using the stock orders, than to the city herself. The stock orders, when they came to constitute a circulation, differed from all other paper circulation in several important particulars, that tended to give them credit with the community. Their basis was the solvency of the city, and of this every body could judge. In specie paying times the basis of the issues of corporations is the precious metals: but the ability of the corporation to redeem its issues, varies with the constant changes in its liabilities, and depends upon the forbearance of the public, and the improbability that the entire circulation could be presented for redemption within any short time. It may also be dangerously weakened by an issue of a circulation to which it is difficult if not impracticable to prescribe any salutary limits; while the issue of the stock orders is necessarily limited by the amount of city stock transferred to the Commissioners for their redemption.

The redemption of the stock orders is thus provided for at the moment of its issue; and to put bank notes upon the same footing with it in this respect, it would be necessary that the banks should have in its vaults dollar for dollar of its circulation and deposits, or other means immediately available, which by no possibility can it have. The only question therefore really interesting to the community receiving and using

the stock orders, is the ability of the city to provide for the interest and the ultimate redemption of the city debt: a question which has never yet been doubted.

Such has been the appreciation of the views here taken, by the community most interested, that the smaller denominations of stock orders have driven almost entirely from circulation the notes of corresponding denominations of Banks and other institutions and individuals before circulating in Baltimore; and the citizens have now a small note circulation which depends for its value not upon the prudence or ability of the board or individual that issues it, but upon the wealth and resources of the commercial emporium of Maryland.

There is another distinguishing characteristic of the stock orders, that may here be mentioned with propriety. The issues of Banking Institutions and individuals are for the benefit of the stockholders or the private bankers. The community at large has no interest in them, except as they furnish a convenient medium of exchange. But the stock orders enure to the benefit of the public who are interested in the work they are used to promote. They are not the issues of "the Baltimore and Ohio Rail Road Company," but they are the means by which the subscription of the people of Baltimore, through the municipal authority are made available in an undertaking in which the people have a profound, vital and abiding interest. Your memorialists had the right to demand money in payment of the city's subscription, and depreciation in the city bonds, and taxation to meet the interest must have been the consequences. Both these sources of loss have been obviated by the course that has been pursued by your memorialists.

Another result of the use of the stock orders should commend them to the favor of your honorable body. By the act of Assembly of December session 1838 chapter 386, the subscription of the State of $5,000,000 was paid to your memorialists in 5 per cent. sterling bonds which were transmitted to England for sale in the European market. These sterling bonds and the six per cent. stock of the city of Baltimore constituted the resources on which your memorialists had to rely in the prosecution of their road west of Harper's Ferry, and but for the use made of the latter as herein detailed it would have been necessary to have thrown the sterling bonds into the market at prices injurious to the credit of the State and prejudicial to

her interests as the largest stockholder in the undertaking.—As it was however, the bonds were limited as to price. and the effect has been to elevate their character abroad by shewing the appreciation of them at home, and that the resources of the company to which they belonged prevented the necessity of sacrificing them. The continued use hereafter, and until the road is finished to Cumberland, of the stock orders, will. your memorialists cannot doubt, enable them to consult as they have heretofore done, as a paramount consideration, the credit of the State in the use of her public securities.

But, that the system here described may be pursued effectually—that there may be no sacrifice of either the State or the City stock—that both may be used to the best advantage for the purpose for the purpose for which they were issued--the aid of your honorable body is necessary to authorise the banks of the State after the resumption of specie payments to use the orders in question—and to authorise the receipt of them in payment of public dues, until the completion of the road to Cumberland shall make their further employment unnecessary.

That the Banks. created by the State should have any objection to this your memorialists have no reason to believe.—Dependant as they are upon the prosperity of the community in which they are located, and dependant, as this is, in its turn upon the success of the work that is to re-establish the western relations of Baltimore, no profit that they could make by the temporary use of small notes would compensate the loss they must experience from any thing that postpones or interferes with the completion of the rail road to the Ohio.

It is believed moreover, that the use by the Banks of the stock orders under the authority of the Legislature would confer upon those institutions all the legitimate advantages expected from their own small issues, and without the inconvenience and danger ordinarily attendant upon them.

Your memorialists therefore respectfully pray that a law may be passed by your honorable body authorising the Banks of the State to receive and pay out the stock orders herein before described, and also authorising the receipt of such orders in the payment of the public dues, until the main stem of the Baltimore and Ohio Rail Road shall be completed, and open for travel to Cumberland; and your memorialists &c. &c.

By order of the Board of Directors,

LOUIS McLANE,

President of the Baltimore and Ohio Rail Road Company